



Zenith Media Release

Zenith 2014 Australian Shares Long Short Sector Review

Active extension funds thrive in current market environment

Thursday 4 July, 2014.

Over the last 12-months the Australian long/short sector generated solid returns consistent with the strong absolute performance of the Australian equities market.

For the 12-months ending 31 May 2014, the average return for Zenith rated active extension long/short managers was 20.1% compared to 16.1% for the S&P/ASX 300 Accum. Index. Over the same period, the average return for Zenith rated variable beta long/short managers was 14.8%. Given the average net exposure of the rated variable beta long/short managers was 67% over this period, below benchmark absolute performance for the variable beta long/short manager universe was not surprising.

According to Rodney Sebire, Senior Investment Analyst at Zenith Investment Partners, "While the headline performance of the equities market was strong, and all sectors within the index delivered positive returns, performance across GICS sectors was certainly variable. Opportunities for generating alpha on the short side were therefore very much tilted towards successfully identifying companies experiencing stock specific challenges. Events such as companies narrowly missing profit guidance, or companies experiencing falling prices and margin erosion across key product lines, for example."

As part of the sector review, Zenith has undertaken a detailed analysis to compare the performance of Australian equity long/short funds with their long-only flagship equivalents to quantify if long/short investors are being compensated for the additional risks assumed. According to Sebire, "Australian equity long/short funds have delivered higher returns on a net of fees basis, with slightly higher volatility (as measured by Standard Deviation) compared to their long-only equivalents. Interestingly, the level of excess returns generated as a proportion of active share has been less for long/short funds. Reasons for this outcome are one of either: managers having less skill in identifying short stocks; or the market environment being less conducive for generating alpha on the short side. Given the market environment over the last 12-months, in Zenith's opinion, the latter is the more likely scenario."

From an initial universe of 26 Australian equity long/short products, 14 were assigned a positive rating: 4 were rated "Highly Recommended", 7 were rated "Recommended" and 3 were rated "Approved".

Continues...

Zenith's complete Approved List, broken out by style, is shown in the following table:

Fund Name	Style	Rating	APIR
Active Extension			
BlackRock Australian Equity Opportunities Fund	Active Extension	Highly Recommended	MAL0072AU
Perpetual Wholesale Share-Plus Long-Short Fund	Active Extension	Highly Recommended	PER0072AU
Regal Long Short Australian Equity Fund	Active Extension	Highly Recommended	AMR0006AU
AMP Capital Australian Equity Opportunities Fund	Active Extension	Recommended	AMP1783AU
Arnhem Long Short Australian Equity Fund	Active Extension	Recommended	ARO0019AU
Ausbil Investment Trust - Active Extension Fund - Retail	Active Extension	Recommended	AAP0008AU
BlackRock Wholesale Australian Share Fund	Active Extension	Recommended	PWA0823AU
Grant Samuel Tribeca Alpha Plus Fund	Active Extension	Recommended	ETL0069AU
Antares High Growth Shares Fund	Active Extension	Approved	PPL0106AU
Variable Beta			
Bennelong Kardinia Absolute Return Fund	Variable Beta	Highly Recommended	BFL0010AU
K2 Australian Absolute Return Fund	Variable Beta	Recommended	KAM0101AU
WaveStone Dynamic Australian Equity Fund	Variable Beta	Recommended	HOW0053AU
Smallco Investment Fund	Variable Beta	Approved	ASC0001AU
Other			
Aurora Dividend Income Trust - Unlisted Units	Other	Approved	AFM0010AU

ENDS

Issued by Zenith Investment Partners www.zenithpartners.com.au

Media Enquiries:

Mr. Dugald Higgins
 Senior Investment Analyst
 Zenith Investment Partners
 Tel: +61 3 9642 3320
 Email: dugald.higgins@zenithpartners.com.au

Mr. Joe Perri
 Joe Perri & Associates Pty Ltd
 Tel / Fax: +61 3 9324 0362
 Mobile: +61 412 112 545
 Email: jperri@joeperry.com.au